

PARLIAMENTARY PRE-BUDGET SEMINAR

FRAMING THE BUDGET: MALCOLM III ?

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MAY 2017

THE BUDGET

- ❑ ANNUAL DEVICE DESPITE ADD-ONS
(myefo, forward estimates)
- ❑ LACK A DEDICATED LONGER TERM
STRATEGY VEHICLE
- ❑ "THE NARRATIVE" HAS GONE
MISSING
- ❑ WILL TOMORROW'S BUDGET FILL
THE GAP: VISION WITH SUBSTANCE
?

Q. WHY IS VISION WITH SUBSTANCE NEEDED?

A. The world's challenges await:

- Global connectivity
- Diffusion of power
- Rise of Asia including China demand patterns
- Global population and resource pressure
- Population ageing
- Financial instability

WHY IS THIS NEEDED FOR AUSTRALIA?

AUSTRALIA HAS DONE WELL

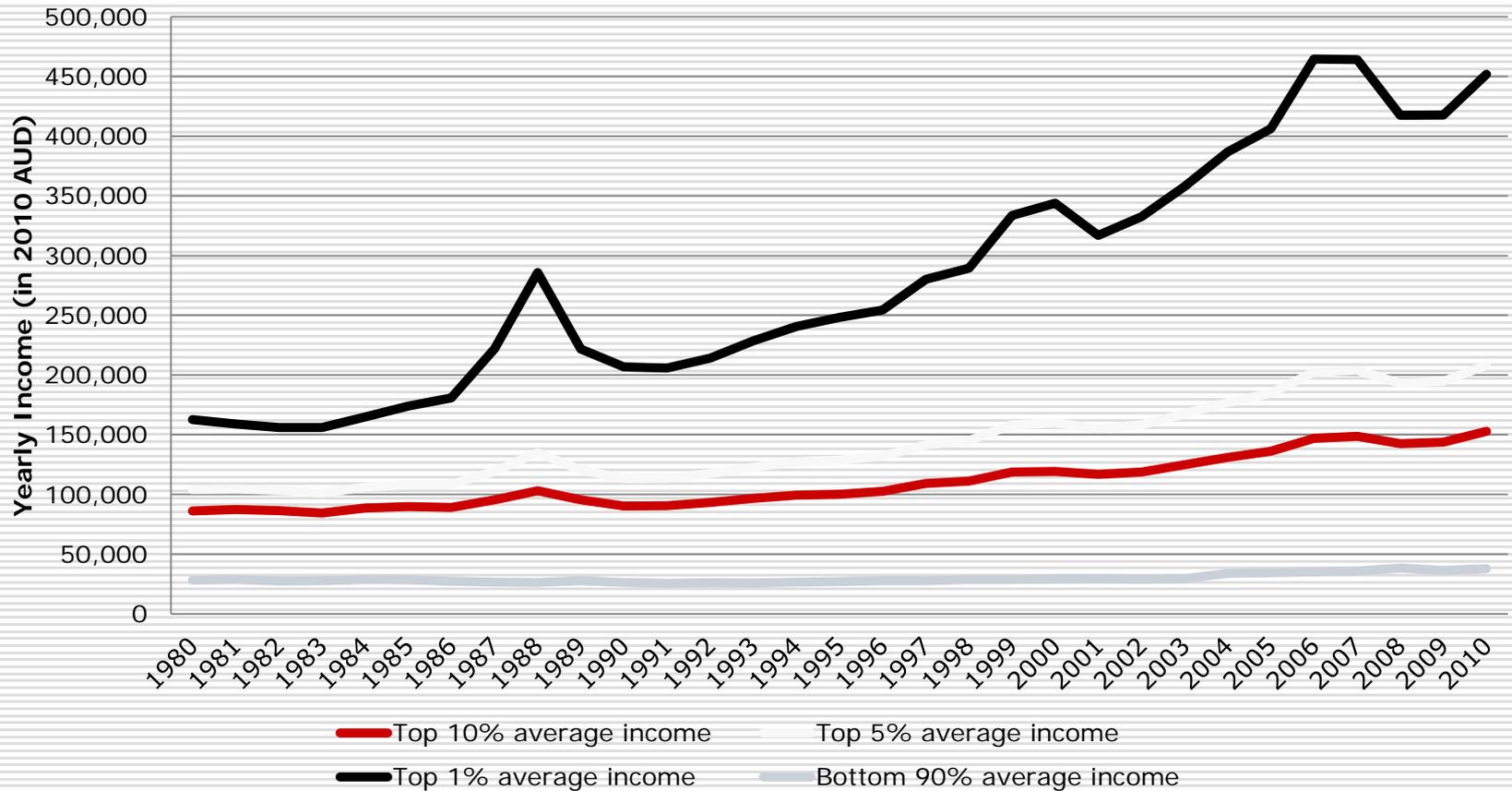
- ❑ World's wealthiest country per capita (CREDIT SUSSE). Top of the Human Development Index (UN). Longest growth phase (OECD).
- ❑ BUT LOOK AT OUR HISTORY: LONG BOOM; PAUSE; LONG BOOM. (CHIFLEY-MENZIES, FRASER-HAWKE, KEATING-HOWARD)
- ❑ ie. WORKER-WELFARE STATE, STAGFLATION & REFORM, PUBLIC-PRIVATE PARTNERSHIP STATE

BUT LONG-BOOMS (AND THEIR SYSTEMS) LAST 25 YEARS (even in the nineteenth century)

ARE WE NOW AT SUCH A TURNING POINT ?

- ❑ HOLT-MCEWAN-MCMAHON-GORTON USHERED IN THE END OF THE FIRST LONG BOOM MODEL.
- ❑ DO RUDD-GILLARD-ABBOTT-TURNBULL USHER IN THE END OF THE SECOND LONG BOOM MODEL?
- ❑ CERTAINLY REFORM ONE-OFFS HAVE DEPLETED, THE MINING INVESTMENT BOOM HAS PLATEAUED, INEQUALITY HAS EMERGED, ATTITUDES HAVE SHIFTED
- ❑ WILL TOMORROW'S BUDGET RECOGNISE WE MAY BE AT A TURNING POINT?

Picketty Australia



WHAT IS NEEDED?

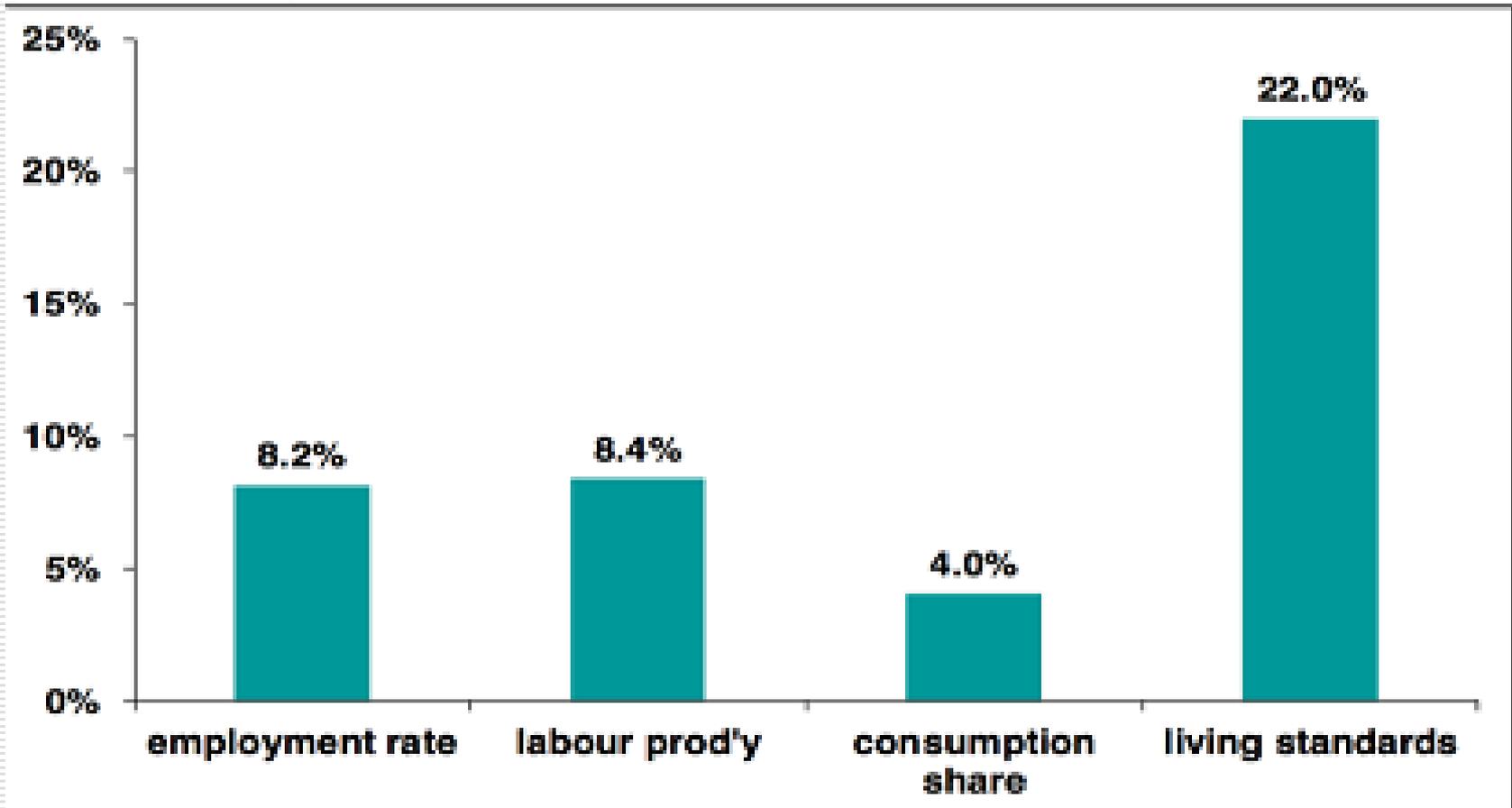
- ❑ **CONTINUED STRUCTURAL REFORM:** THE UNFINISHED AGENDA BELOVED OF BUSINESS
- ❑ **NEW INVESTMENT IN NATIONAL CAPABILITY:** A NEW AGENDA BELOVED OF PROGRESSIVES
- ❑ WHAT IF WE WERE TO **WALK ON TWO LEGS?**
- ❑ It could benefit the Australian standard of living by 22% or more by 2030

FAKE NEWS?

ACOLA analysis:

- ❑ 17 separate constituent studies
- ❑ all publicly available
- ❑ expert working group,
- ❑ program review committee,
- ❑ ACOLA Council review,
- ❑ peer review.

BENEFITS OF TWIN TRACK REFORM: 2030 AUSTRALIA



Structural Reform:

- ❑ Tax reform (Henry)
 - ❑ Spending and regulation reform (PC)
 - ❑ Privatisation/contracting out reform (PC)
 - ❑ Free trade agreements improvement (CIE)
 - ❑ Competition policy enhancement (Harper)
 - ❑ Federalism reform (Twomey & Withers)
 - ❑ Industrial relations reform (PC)
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- ❑ The contribution of such reforms to standard of living could be of the order of over **11.0% by 2030.**
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Investment Reform:

- ❑ Labour participation enhancement (PC)
- ❑ Infrastructure enhancement (IA)
- ❑ Education enhancement (UA/TDA/ACPET)
- ❑ Research and innovation enhancement (OECD best practice)
- ❑ Immigration enhancement (MCA)

- ❑ The contribution of such reforms to the Australian standard of living could be of the order of over **11.0 % by 2030.**

LEADERSHIP: Attitudes to Reform and Taxes

- All those surveyed for ACOLA study in key groups or the general public saw a need for **greater leadership and partnership** in national policy
- Moreover, in the public opinion survey, more than half indicated that they would be **willing to pay** at least a little more in overall taxes to support reform- an average of \$1009 per head
- For tax structure, an **increase in GST** that directly funded our future was regarded more favorably than one that financed a reduction in income or company tax.

Taxation Analysis

Table 5: Willingness to pay more – by demographics (%)

	Age group			Education		
	18-34 (A)	35-54 (B)	55+ (C)	Up to Y12 (D)	TAFE (E)	University (F)
Be willing to pay whatever was required	24	22	17	17	17	24
Be willing to pay a little more	53	55	61	53	54	59
NOT be willing to pay more	23	23	23	29	29	17
				F	F	

Australia's Future: The End of History ?

- ❑ Scandinavians: 50-60% ↓
 - ❑ Continentals: 40-50%
 - ❑ Anglos-Japan: 30-40%
 - ❑ Asian Tigers: 15-30% ↑
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Yes We Can.....

- An Australia that is prosperous, fair, free and sustainable is achievable, despite the huge challenges ahead.**
 - A Budget trajectory can be set for the longer-term.**
 - Will the 2017 Budget be the one that sets us in this direction?**
 - As ever, the devil will also be in the detail: education, immigration, infrastructure , tax etc., and how well there is proper evaluation, performance linkage, incentive compatibility in design and implementation**
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